

Message Text

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ACTION EUR-12

INFO OCT-01 ARA-06 EA-06 ISO-00 AID-05 CEA-01 CIAE-00

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INFO ALL EC CAPITALS 238

AMEMBASSY BRASILIA

AMEMBASSY MADRID

AMEMBASSY OTTAWA

AMEMBASSY TAIPEI

AMCONGEN FLORENCE

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PASS COMMERCE

E.O. 11652: N/A

TAGS: EIND, EEC

SUBJECT: EC COMMISSION STUDY OF THE DIFFICULTIES FACING THE
EUROPEAN SHOE INDUSTRY

REF: STATE A-9138, DECEMBER 13, 1974

1. SUMMARY: OFFICIALS FROM THE EUROPEAN SHOE INDUSTRY AND
EC COMMISSION HAVE BEEN DEVELOPING INFORMATION FOR A
COMMISSION REPORT ON THE SITUATION IN THE EUROPEAN SHOE
INDUSTRY WHICH IS TO BE COMPLETED IN FEBRUARY. UNTIL
THE COMMISSION HAS A CLEARER PICTURE OF THE BASIC CAUSES OF
THE INDUSTRY'S PROBLEMS, COMMISSION OFFICIALS ARE RELUCTANT
TO DISCUSS REMEDIAL MEASURES. END SUMMARY.

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2. IN RESPONSE TO REFERENCE AIRGRAM, THE MISSION MET

ON JAN. 14 AND 15 WITH EC COMMISSION OFFICIALS FRIZ AND PACTH FROM THE DIRECTORATE GENERAL FOR INDUSTRY. THEY TOLD US THAT REPRESENTATIVES OF THE EUROPEAN SHOE INDUSTRY MET WITH THEM IN THE SUMMER AND AGAIN IN OCTOBER TO DESCRIBE IN DRAMATIC TERMS THE CURRENT PLIGHT OF THE EUROPEAN SHOE INDUSTRY, WHICH INDUSTRY OFFICIALS CLAIMED WAS DYING, AND ASKED FOR COMMISSION HELP. THE INDUSTRY SAID ITS PROBLEMS WERE DUE TO RAPIDLY INCREASING IMPORTS FROM LOW COST PRODUCERS, E.G. SPAIN, EASTERN EUROPEAN COUNTRIES, BRAZIL AND TAIWAN, AND THE INCREASING DIFFICULTY IN OBTAINING HIDES, WHICH ARE BEING HELD BACK BY CERTAIN TRADITIONAL SUPPLIERS.

3. CONTRARY TO WHAT WAS REPORTED IN THE ARTICLE ATTACHED TO THE REFERENCED AIRGRAM, FRIZ SAID THAT THE INDUSTRY DID NOT PRESENT A WRITTEN REPORT. HE SAID THE COMMISSION'S INITIAL REACTION TO MEETINGS WITH INDUSTRY OFFICIALS WAS ONE OF CAUTION BECAUSE A) THE COMMISSION DID NOT HAVE SUFFICIENT INFORMATION AND DATA TO DRAW CONCLUSIONS, B) THERE WAS SOME COMMISSION SKEPTICISM AS TO WHETHER IT WAS UNFAIR IMPORTS OR A LACK OF COMPETITIVITY BY EUROPEAN COMPANIES (I.E., NO SENSE OF DESIGN, OUTMODED TECHNOLOGY) THAT WAS AT CAUSE, AND C) THE SITUATION IS QUITE DIFFERENT IN THE DIFFERENT MEMBER COUNTRIES. ON THIS LAST POINT FRIZ SAID THE SHOE INDUSTRY IN GERMANY, BELGIUM, THE UK, IRELAND AND HOLLAND WERE SUFFERING TO A MUCH GREATER DEGREE THEN ITALIAN AND FRENCH INDUSTRY.

4. TO ARRIVE AT A BETTER BASIS FOR JUDGMENT FOUR FACT FINDING GROUPS, MADE UP OF BOTH INDUSTRY AND

EC COMMISSION OFFICIALS, WERE ESTABLISHED. THEY HAVE LOOKED INTO: A) INTERNATIONAL TRADE ASPECTS; B) RAW MATERIAL SUPPLIES; C) EMPLOYMENT AND SOCIAL PROBLEMS, AND D) TECHNOLOGICAL PROBLEMS. MOST OF THEIR INFORMATION GATHERING HAS BEEN COMPLETED AND THE COMMISSION OFFICIALS EXPECT TO PRODUCE AN OVERALL LIMITED OFFICIAL USE

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REPORT ON THE SITUATION BY MID-FEBRUARY. BOTH COMMISSION CONTACTS SAID THAT THEY COULD NOT TALK OF REMEDIAL MEASURES UNTIL THE REPORT WAS COMPLETED AND THERE WAS A BETTER UNDERSTANDING OF THE PROBLEMS, THEIR SERIOUSNESS, AND IF THERE WERE VALID REASONS FOR COMMUNITY ACTION. PACTH DID NOTE INDUSTRY ALLEGATIONS THAT YUGOSLAVIA WAS SELLING ON THE GERMAN MARKET AT ABNORMALLY LOW PRICES BECAUSE IT MADE UP

FOR THE LOSSES BY HIGH PRICE SALES TO THE SOVIET
UNION. SPAIN IS SAID TO HAVE A FORM OF EXPORT
SUBSIDIES.

5. COMMENT AND REQUEST: WE BELIEVE THAT COMMISSION
OFFICIALS ARE TAKING THE PROBLEMS OF THE EUROPEAN
SHOE INDUSTRY QUITE SERIOUSLY, ALTHOUGH THEY ARE NOT
PREPARED TO ACCEPT INDUSTRY POSITIONS WITHOUT
QUESTION. DURING OUR MEETING, PACTH ASKED FOR US
GOVERNMENT STUDIES ON THE SHOE AND TEXTILE INDUSTRIES
IN THE US AND WE TOLD HIM WE WOULD TRY TO OBTAIN THE
LATEST DEPT. OF COMMERCE REPORTS. WE WOULD APPRECIATE
IT IF THESE WOULD BE SENT TO THE MISSION. GREENWALD

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